

# **Trends in the Commercial Health Insurance Market**

## *2013-2015*



*The Affordable Care Act (ACA) was signed into law in March of 2010. The ACA includes sweeping changes to the nation's health care coverage system and specifically, to state insurance markets and their public health programs. The goal of the legislation was to expand access to insurance, reduce the rising costs of health insurance, improve the quality and efficiency of the health care delivery system, increase wellness and prevention*

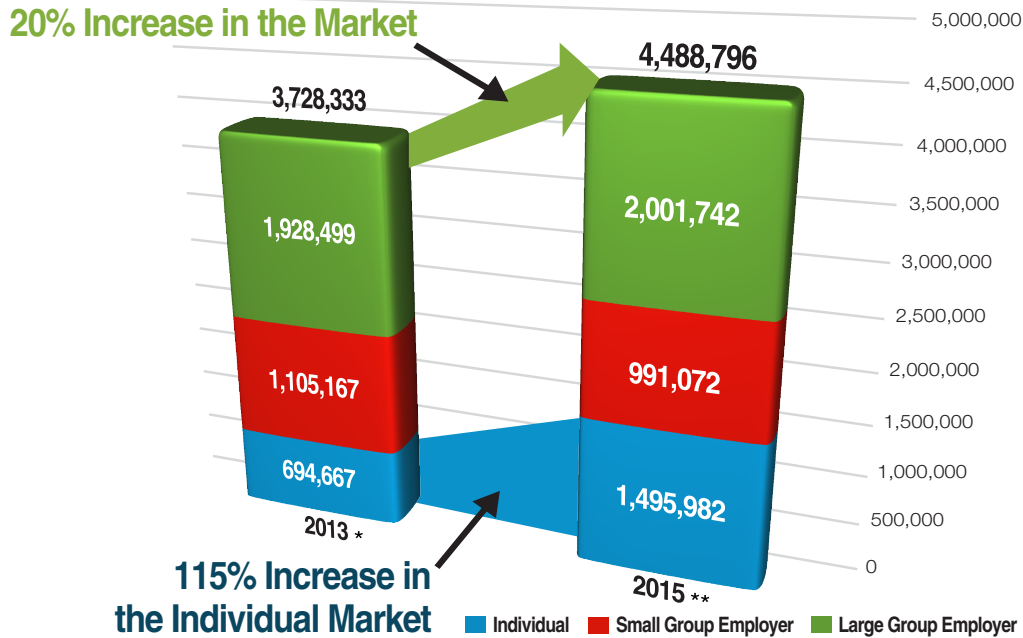
*initiatives, and expand consumer protections. All health insurance companies in Texas must now follow ACA regulations, and all Texans have been impacted by the new coverage requirements. A new survey commissioned by the Texas Association of Health Plans and conducted by national research and consulting firm Milliman examines enrollment trends and figures in Texas since key provisions of the ACA were implemented in 2014.*

# Texas Enrollment in Traditional Commercial Insurance Market Up 20%

The ACA has had a significant impact on enrollment in Texas in the traditional fully-insured commercial insurance market, with a 20 percent increase in the number of individuals covered since implementation of the ACA's key provisions in January of

2014. Prior to the ACA, 3.73 million individuals were covered in the traditional insurance market in Texas. The Milliman report found that figure has increased by 760,000 individuals to a total of 4.49 million people covered in 2015.

## Enrollment in Texas Insurance Markets: 2013 to 2015 Impact of the ACA Marketplace in Texas



\*Note: Data as of 12/31/2015. \*\*Note: Data as of 7/31/2015.

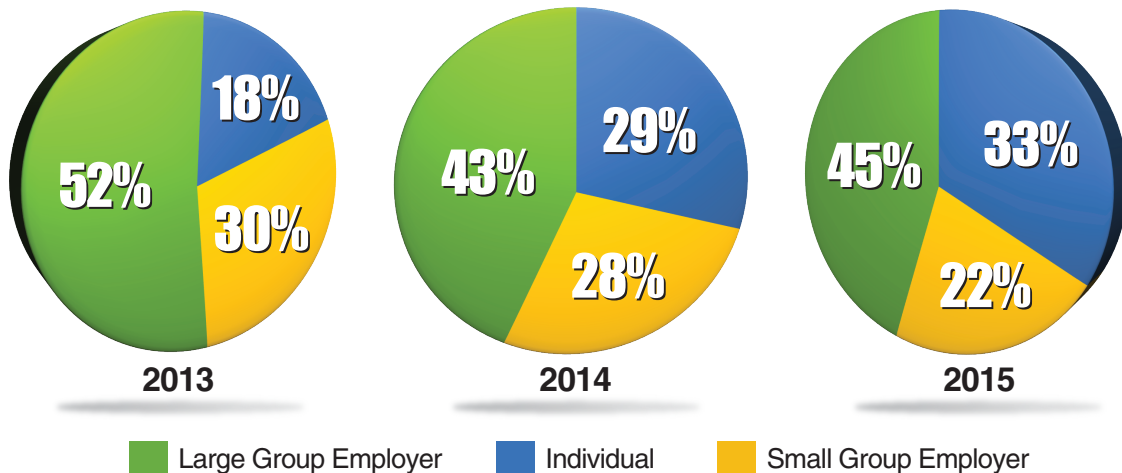
Source: Texas Association of Health Plans: Enrollment Survey 2015, Milliman, Dec. 2015

## Texas Individual Market Has Grown By 115%

The most dramatic change in Texas has occurred in the individual market, which has grown by 115 percent and now makes up 33 percent of the fully insured market, as shown in the graph below. Prior to the

ACA, the individual market's share of the fully insured market was less than 19 percent. The dramatic growth in the individual market has changed the landscape of commercial health insurance in Texas.

## Texas Insurance Markets



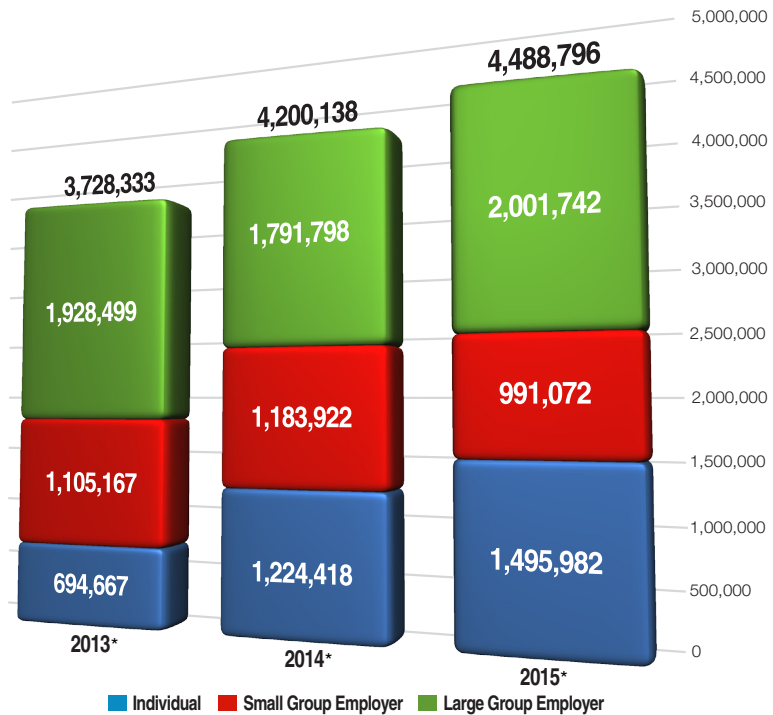
Source: Texas Association of Health Plans: Enrollment Survey 2015, Milliman Dec. 2015

## Small Business Market Drops By 10%

Also notable is the decline in the fully insured small group market, which decreased by 10.3 percent from 2013 to 2015 (or 1.1 million individuals to 991,072 individuals), as shown below. The Milliman study only examines the fully insured market, so it is unclear if there

is an overall decline in individuals receiving insurance through small employers, or if small employers are increasingly taking on more risk and shifting to the self-funded market. In 2015 alone, the small employer market declined by 16 percent.

### Enrollment in Texas Insurance Markets: 2013, 2014, 2015



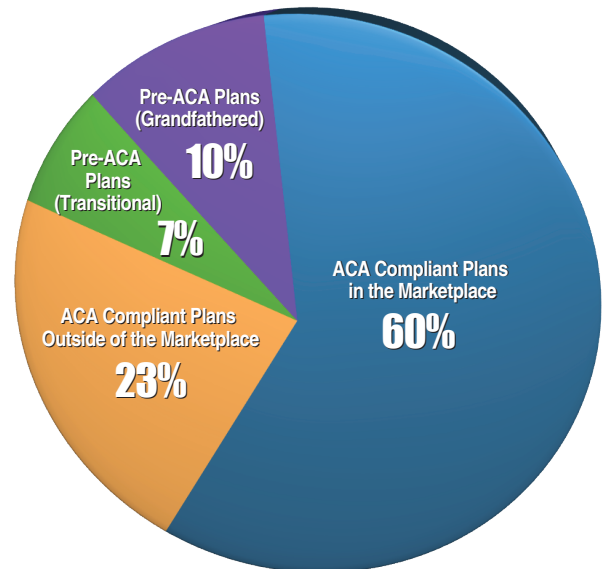
\*Note: Data as of 12/31/2015, 12/31/2014, and 7/31/2015.  
Source: Texas Association of Health Plans: Enrollment Survey 2015, Milliman, Dec. 2015

## Texans Increasingly Buying Individual Health Insurance Through the ACA Exchange

In the first year of the ACA marketplace (2014), a majority of Texans (54 percent) seeking coverage in the individual market chose to purchase that coverage outside of the federal ACA marketplace exchange. Overall, 40 percent of individuals stayed with the same coverage they had prior to the ACA's implementation.

This trend shifted in 2015, with approximately 60 percent of individuals purchasing plans through the ACA exchange. The number of these individuals who have chosen to remain with their pre-ACA coverage has declined by more than 50 percent, with only 17 percent of individuals in Texas currently remaining enrolled in their pre-ACA plans.

### Individual Market: Distribution of Enrollment as of 7/21/2015



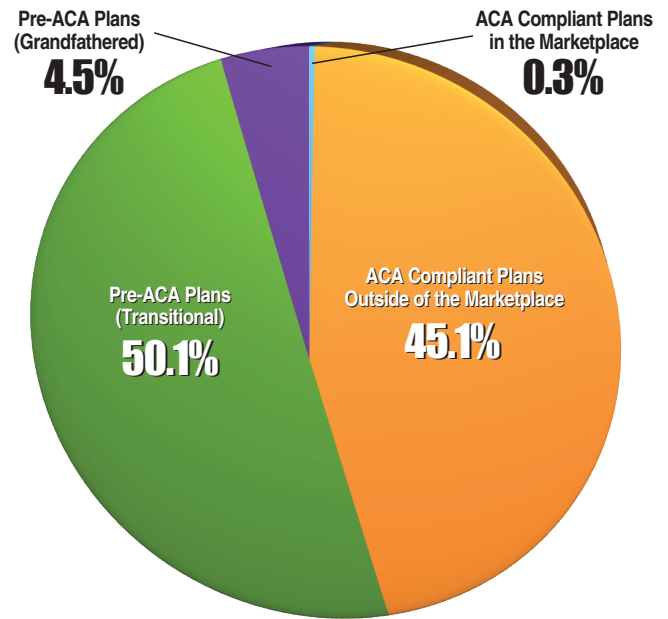
Source: Texas Association of Health Plans: Enrollment Survey 2015, Milliman, Dec. 2015

## Small Business Trends



Small businesses are still predominately purchasing plans outside of the small employer marketplace or the Small Business Health Options Program (SHOP) (99.7%). Even though small employers are not purchasing plans in the SHOP, there has been an 80 percent increase in enrollment in ACA-compliant plans and a 31 percent reduction in the enrollment in pre-ACA plans. Approximately 55 percent of covered individuals in the small group market remain in pre-ACA plans, primarily in “transitional plans,” which groups were allowed to temporarily renew under CMS guidance. (Under the 3/5/2014 CMS Memorandum, carriers can allow individuals and small employer groups to choose to renew these plans for policy years beginning on or before October 1, 2016).

## Small Group Market: Distribution of Enrollment as of 7/21/2015



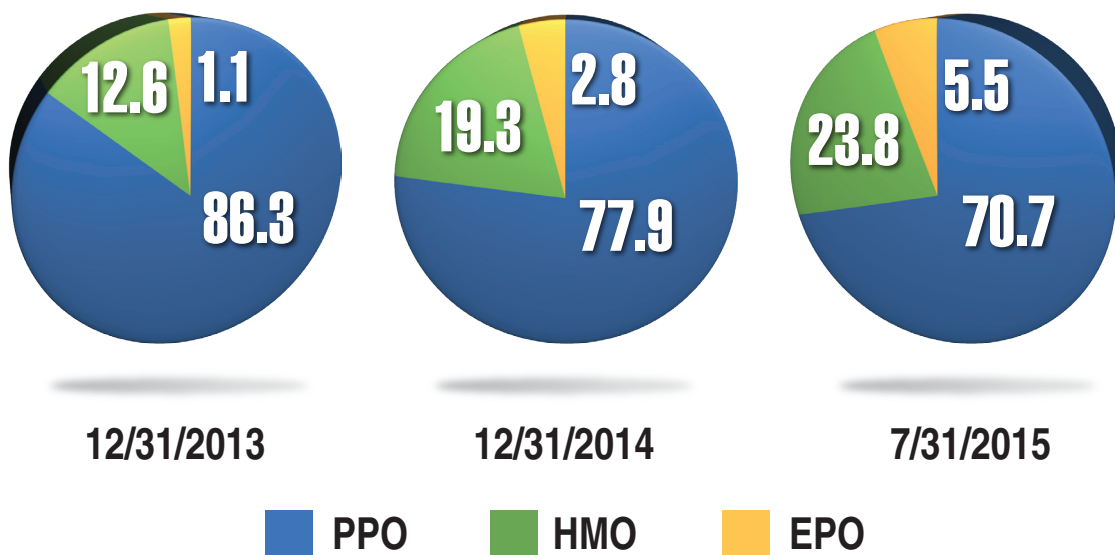
Source: Texas Association of Health Plans: Enrollment Survey 2015, Milliman, Dec. 2015

## A Look At Plan Selection By Consumers & Businesses in the Individual Market

As an addendum to this study, Milliman looked specifically at the specific commercial product selections made by Texans in 2015. Most notably, Milliman found that in the individual market there

was a major shift in the type of products Texans who are newly enrolled are selecting, based on their health care needs and their individual budgets.

## Plan Type Distribution: Total Commercial Market (%)



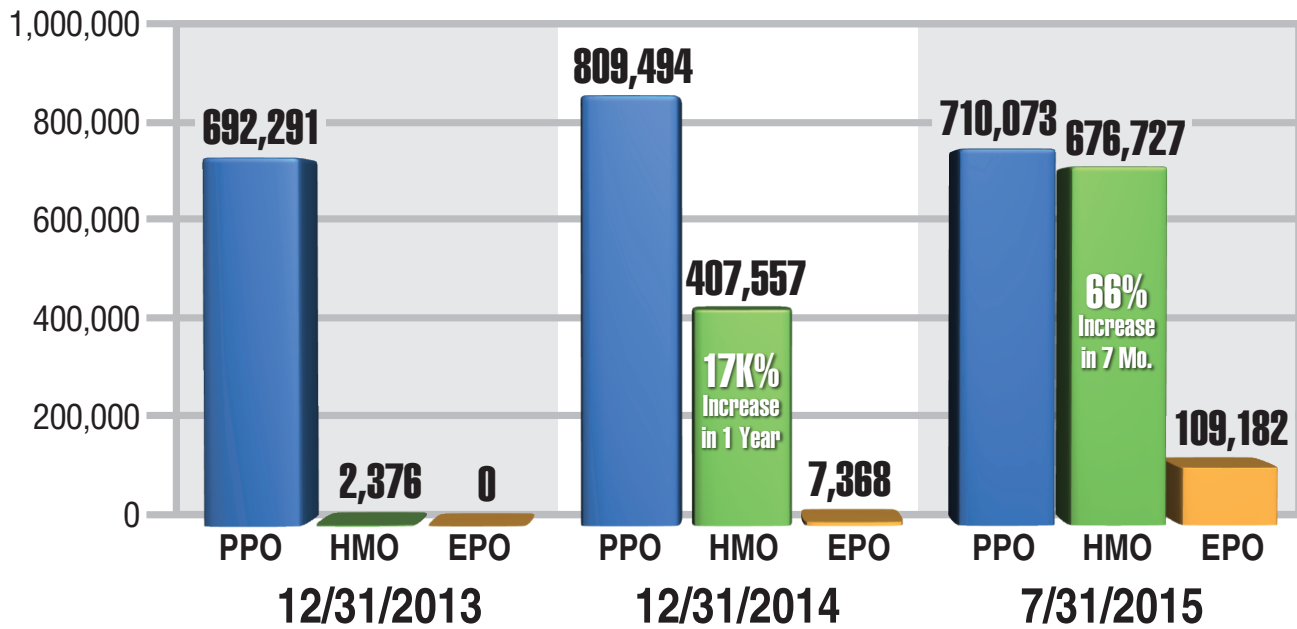


## HMOs Gain Popularity in the Individual Market

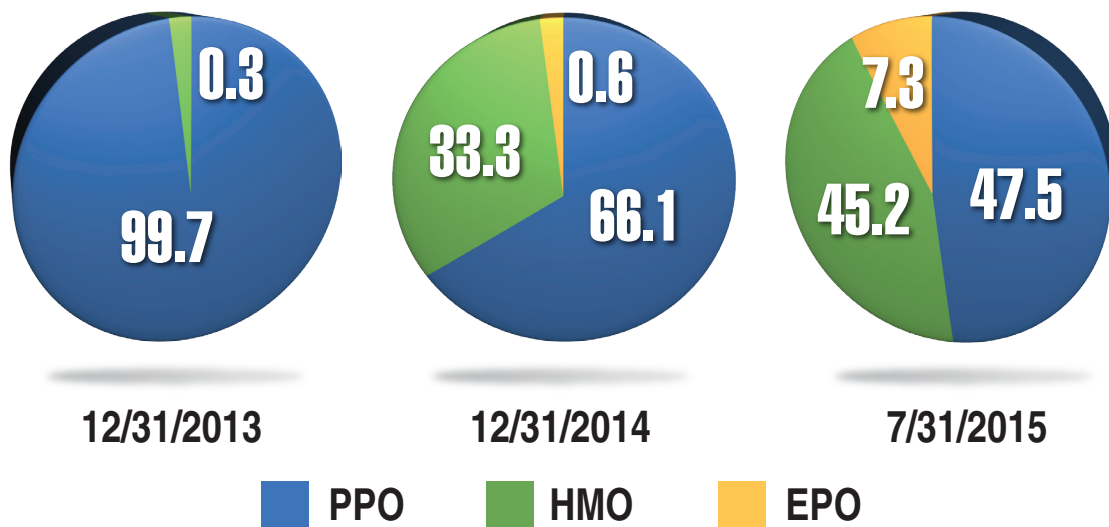
Prior to adoption of the ACA, a majority of Texans (99.7 percent) in the individual market selected preferred provider organization (PPO) products. Nineteen months later, the number of Texans enrolled in PPOs remained relatively stable, but almost all of the net growth (784,000 out of 800,000) was in health maintenance organizations (HMOs) or exclusive provider organizations (EPOs). Before adoption of the ACA, roughly 2,400 Texans had selected

HMOs in the individual market and none were enrolled in EPOs, because they were not yet available in Texas. By July 31, 2015, with an explosive growth of enrollees in the individual market, nearly 677,000 Texans had selected HMOs and 109,182 had selected EPOs. These two developments have shifted overall market share of the different types of products in the individual market.

### Plan Type Distribution: Individual Market Enrollment



### Plan Type Distribution: Individual Market (%)

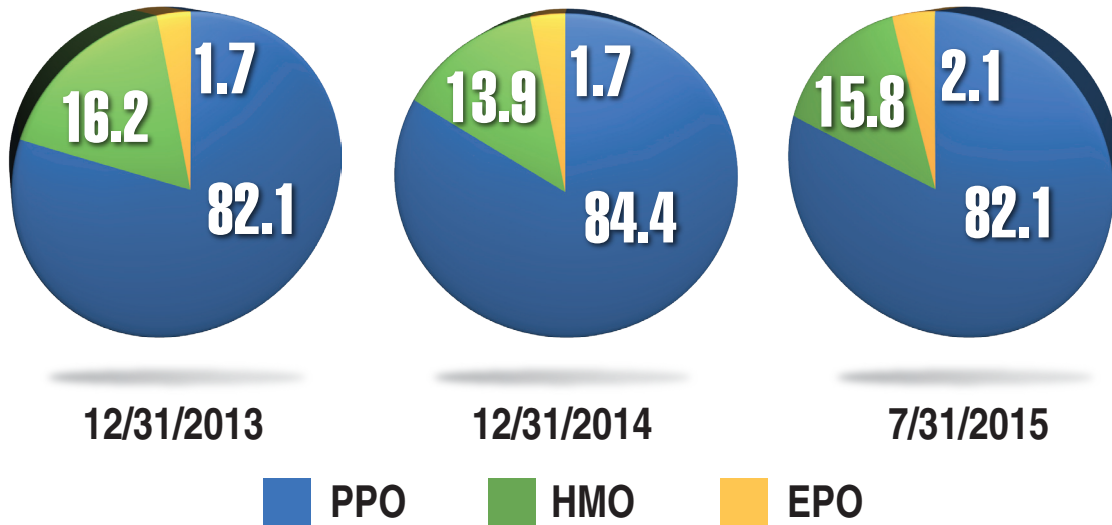


## Employer Groups Remain Consistent in Plan Selection

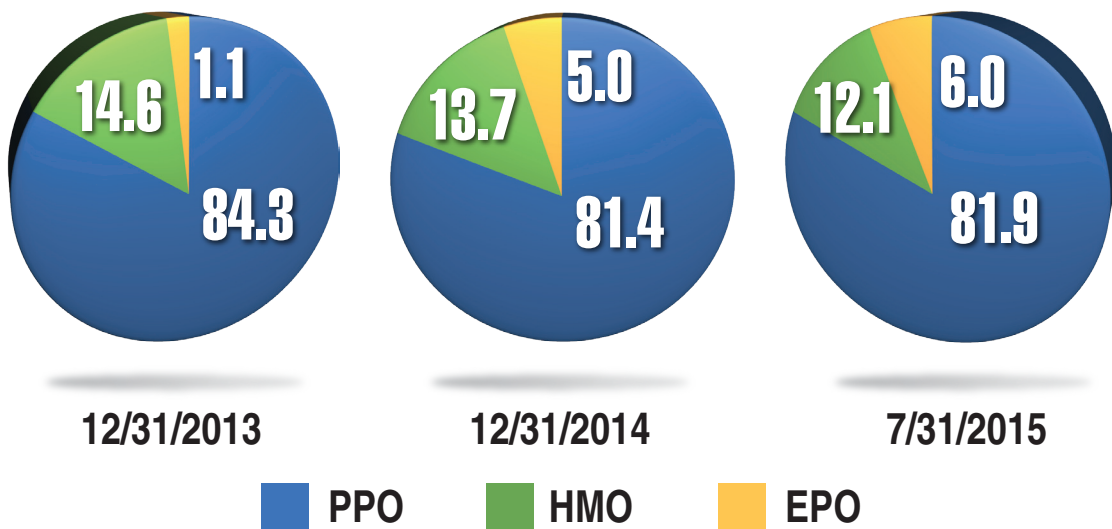
When looking at product selections in the small and large group employer markets, Milliman did not find as significant a shift as in the individual market. In both the small and large employer group markets from 2013 to 2015, the vast majority of enrollment has been covered under PPOs. Traditional HMO plans are the second largest bucket at 12-16 percent of total enrollment in the small

and large groups throughout the same time frame. In the large group market, the HMO percentage has come down slightly from 14.6 percent in December 2013 to 12.1 percent in July 2015 due to movement toward the EPO plan type, which is a relatively new product available in the Texas market.

### Plan Type Distribution: Small Group Employer (%)



### Plan Type Distribution: Large Group Employer (%)



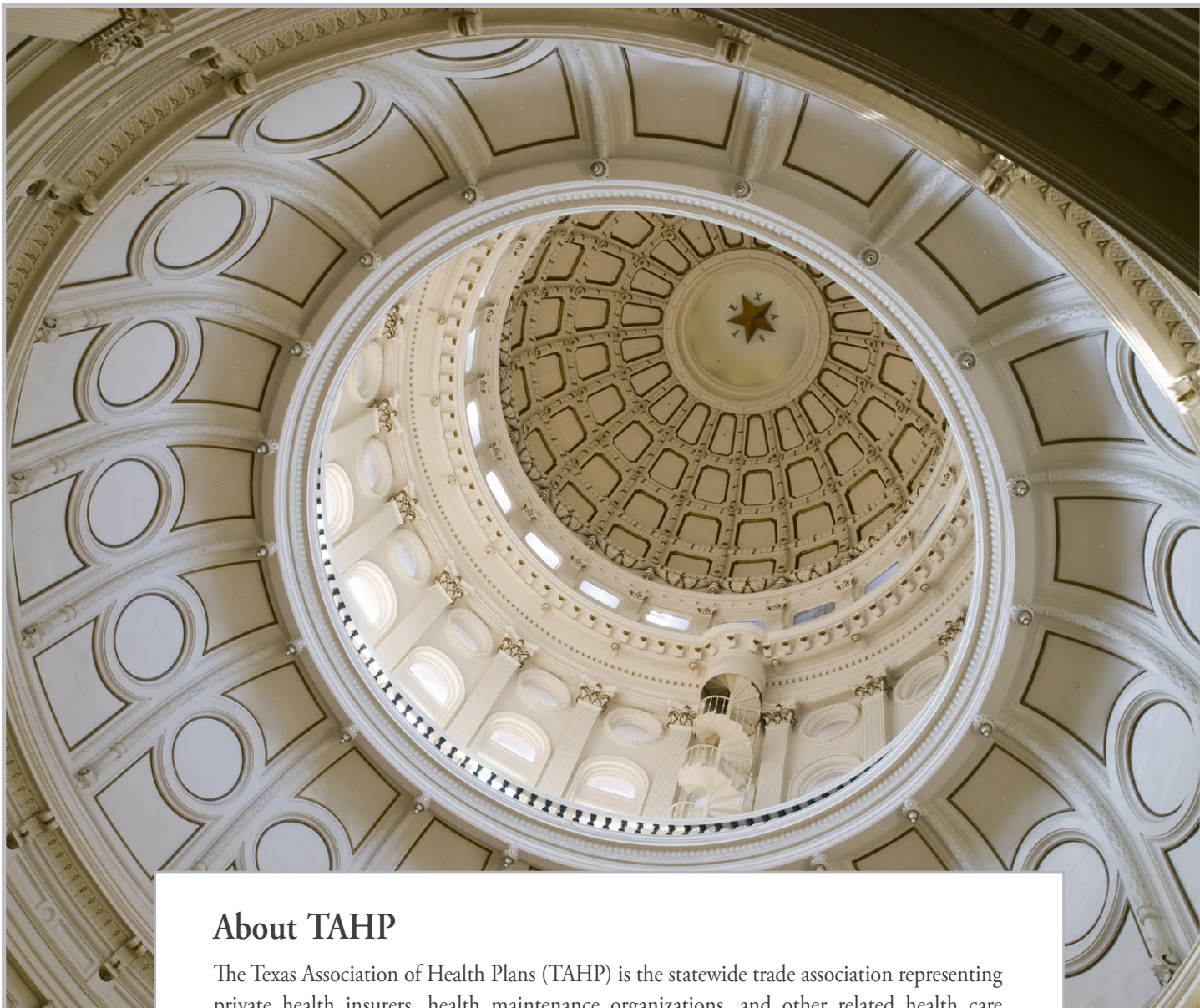


## **Background on Milliman Survey on Texas ACA Enrollment**

Milliman was asked by the Texas Association of Health Plans to compile the results of an enrollment survey of its members. This is the second year this survey has been conducted, soliciting information on the number of enrollees in the Texas commercial health insurance market segments (individual, small group, and large group). The first survey compiled enrollment as of 12/31/2013 and 7/31/2014, while this year's study covers enrollment as of 12/31/2014 and 7/31/2015. This report contains the summarized results and describes the underlying methodology and assumptions.

- This is an updated enrollment survey for the traditional fully-insured commercial insurance market in 2013, 2014, and 2015.
- This survey only represents enrollment in the fully-insured market, and does not include self-funded groups.
- Over 95% of the 2014 Texas fully-insured commercial market is represented in the survey (96.0% of the individual segment, 97.6% of the small group segment, and 98.3% of the large group segment).





## About TAHP

The Texas Association of Health Plans (TAHP) is the statewide trade association representing private health insurers, health maintenance organizations, and other related health care entities operating in Texas. As the voice for health plans in Texas, TAHP strives to increase public awareness about our members' services, health care delivery benefits and contributions to communities throughout the state.

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